

# EXHIBIT 6

PUBLIC VERSION

(PREVIOUSLY FILED UNDER SEAL AT ECF 182-6)

**From:** Sergey Galonkin <sergey.galyonkin@epicgames.com>  
**Sent:** Wed, 6 Jun 2018 18:50:42 +0000 (UTC)  
**To:** Steven Allison <steven.allison@epicgames.com>  
**Cc:** Chris Dyl <chris.dyl@epicgames.com>; Danny Block <danny.block@epicgames.com>; Zak Phelps <zak.phelps@epicgames.com>  
**Subject:** Re: Costs of running Diesel business

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And even with 90 people (fixed cost around \$12M per year), we should be able to not lose money at 10%, including 5% influencer payouts going out of our share and with 2.55% processing costs. 15% gives us a nice comfortable buffer and I'd decrease it to 14% to make Tim happy. At 14% with 5% going to influencers, people will assume we're taking 9%, which is unheard of.

On Wed, Jun 6, 2018 at 2:48 PM Sergey Galonkin <[sergey.galyonkin@epicgames.com](mailto:sergey.galyonkin@epicgames.com)> wrote:

Ok, so increased the headcount to 90, we're still in the black :)

On Wed, Jun 6, 2018 at 2:43 PM Steven Allison <[steven.allison@epicgames.com](mailto:steven.allison@epicgames.com)> wrote:

That is an amazing cdn cost - volume creates value.

Sent from my iPhone

On Jun 6, 2018, at 10:51 AM, Chris Dyl <[chris.dyl@epicgames.com](mailto:chris.dyl@epicgames.com)> wrote:

For hosting costs...

I think \$0.10/MAU would be a reasonable number for all-in hosting costs. If we wanted a more complex model, we could look at new installs, updates, and respective sizes to calculate an actual number. However, the variance of games is so much I think an estimate is fine. Services costs are much harder to model (partly because we haven't built it all yet), but using FNs cost should be fine.

fyi that our CDN cost was \$0.10/GB when we did the original estimates and is now \$0.003/GB and we hope to get that down even further (but are getting close to the floor).

On Wed, Jun 6, 2018 at 1:50 PM, Sergey Galonkin <[sergey.galyonkin@epicgames.com](mailto:sergey.galyonkin@epicgames.com)> wrote:

I did assume a team of 15 people with \$170K average burn rate per person to run this. We could increase the size of the team, but for now, it seems reasonable.  
Of course, it doesn't include the dev team, so hope Chris can help on this part.

On Wed, Jun 6, 2018 at 1:41 PM Steven Allison <[steven.allison@epicgames.com](mailto:steven.allison@epicgames.com)> wrote:

Typically overhead for staff and facilities is 10-15 percent of any business (depending on revenue) on top of variable costs such as this....we don't have the facilities overhead to consider for sure but we should assume 8-10 million/year fixed for directly attributable staff and other non facility based fixed costs plus your variable calculations and then rule back on what is cutting to the bone (we don't want that) and what is aggressive but still has a nice bit slim margin against non Fortnite revenue - ideally we create an entity that is healthy and profitable not dependent on FN revenue. If 12 percent works in that context then we're golden on that - we can present all cases including running to the bone or at a loss but I do want to understand the version that non Fortnite revenue generates 10 percent margin to epic on with fixed plus variable costs.

Sent from my iPhone

On Jun 6, 2018, at 10:26 AM, Sergey Galonkin <[sergey.galyonkin@epicgames.com](mailto:sergey.galyonkin@epicgames.com)> wrote:

Hi

So, I'm looking at our hosting costs. Currently, we're paying \$0.208 per MAU (which is already lower than our initial estimate of \$0.4).

But if we deduct the game servers from it (as we should, we won't be hosting them for other games), it boils down to \$0.084 per MAU, with CDN being \$0.006 per MAU.

Our UE costs are around the same - \$0.08 per MAU, again, probably because we don't have any dedicated servers to host.

Now, we have to estimate how many purchases will happen on average per MAU and the average price, to convert this part of the costs into the share of revenue.

Let's assume that we'll be able to keep the average SRP well above Steam's \$5.99, say at \$19.99, at least for the first two years.

Then let's assume that the conversion rate will be twice as bad as Fortnite's, so ~30%. It's a very safe estimate, as people that aren't buying new games unlikely to play anything on the platform, save for Fortnite. Essentially with 30% conversion rate, we're assuming that an average player will spend 3 months in a game :)

And if we assume 30% Fortnite to Diesel conversion, here is what we get:

<https://docs.google.com/spreadsheets/d/15mmD8BAku3nfVX-JG-gKggy5FkajJUZ8V9vgHycaY2I/edit?usp=sharing>

With current assumptions, it boils down to \$32M gross per month for Diesel and devs, and \$2.8M net to Epic after influencer payouts and processing costs if we assume 15% with 5% going to influencers for 30% of all purchases.

Theoretically, with this model, we could go as low as 7% and still not lose money.

But I'm afraid I'm missing something significant, so please, double-check this.

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Sergey Galyonkin

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